

OUTLOOK

A Monthly Forecast for the Economy and Real Estate



FORECAST SUMMARY

- The U.S. Department of Commerce reported that the nation's real Gross National Product grew at a 2.1 percent annual rate in the first quarter, according to advance estimates. The higher than expected growth rate was only one of several surprises in the first quarter. A rapid acceleration in the rate of inflation during the late winter months, and a sharp rise in long-term interest rates also were widely regarded as surprise developments.
- The unemployment rate edged up to 5.4 percent in April. Payroll employment moved up by only 26,000, despite the inclusion of 80,000 temporary census workers. Manufacturing employment declined again in April, marking the twelfth monthly decline in the past thirteen months. This report seems to confirm that the industrial sector remains sluggish.
- Consumers faced slowly rising prices in April, a welcome respite from the torrid pace of consumer price inflation during the winter months. In April, the consumer price index for all urban consumers rose 0.2 percent. For the twelve month period ending in April, the consumer price index increased 4.7 percent.
- Starts of privately owned housing units dropped to an annual rate of 1.321 million units in March, 9.3 percent below the February annual rate of 1.457 million units. Starts of single-family units fell to 1.015 million units, 12 percent below the February annual rate of 1.154 million units.
- Sales of existing single-family homes remained unchanged in March at an annual rate of 3.4 million units, but were 0.9 percent slower than the rate of one year ago, when the annual rate of existing home sales reached 3.43 million units. The median price of an existing single-family home rose 0.9 percent in March 1990 to \$96,100, while the median price of a new home fell 1.4 percent in March to \$123,200, and was virtually unchanged from its March 1989 median price of \$123,000.

IN THIS ISSUE



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RUBE GOLDBERG LIVES! ECONOMIC COMMENTARY

by
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Spring is here, the flowers are up, and so--unfortunately--are interest rates. The rate rise that started at the beginning of the year took most analysts by surprise (doesn't everything?!). Even more surprising is the persistence of the increase, especially in light of what is generally considered a soft economy. There are both real and psychological reasons for this, and there is both good and bad news about it.

First the good news--or, rather, the relatively good news. Rates have not yet risen to levels that prevailed as recently as a year ago. Of course, one might argue that this is the same as being less deep in a bog of quicksand, but there is some comfort here. Moreover, the recent GNP report for the first quarter of 1990 indicated that growth was lower than expected, and that will take some pressure off interest rates.

The bad news is that inflation terror has gripped the financial markets. Even though the "core" rate of inflation appears not to have moved from the 4-5 percent range it has occupied for the past six years, there is a widespread belief that the excessively high food and energy price increases of the first quarter are the norm and not an aberration. They were and inflation will prove to be moderate once again in 1990.

This psychology demonstrates the magic that the Federal Reserve holds over the economy. Analysts read growing inflation into the numbers, assume the Fed will raise interest rates, and then act to raise rates themselves. The Fed needs do nothing, since the market operates for them. This is a marvelous trick--in fact, it's the very thing parents have been searching for since time immemorial.

The real element fueling the rise in interest rates is another fascinating study in how the world has become a much smaller place, how interdependent national economies have become, and how a Rube Goldberg process of small actions adding up to totally unexpected results is an apt model for our times.

Interest rates in the United States are rising because of increases in interest rates in Germany and Japan. The transmission mechanism, of course, is the huge volume of U.S. Treasury securities trading in world financial centers.

In Germany, rates are rising in anticipation of unification. The tide of freedom that swept Eastern Europe was like a whirlwind courtship; German unification is waking up to your partner's "morning face" and realizing that the real task of building a relationship lies ahead. Specifically, the sharp differences in currency values between East and west means that any unification will inflate the economy of the West. Either there will be a leap in the purchasing power of the Eastern side, or there will be a transfer of real resources. In both cases, the Bundesbank will be forced to lean on the economy through credit restriction. So, rates are rising in anticipation.

In the Japanese case, we may have constructed our own Rube Goldberg machine. The U.S. has consistently applied pressure on the Japanese to loosen up their domestic economy and allow the consumption of more American goods. This has been, at least in part, successful. But this consumption has reduced the Japanese savings rate, increased the rate of growth, and put upward pressure on prices. Japanese policy-makers have chosen to counter this with a restrictive monetary policy that has collapsed the Tokyo Stock Exchange and raised interest rates. In turn, Japanese funds have flowed out of the U.S. Treasury market, forcing increases in our interest rates. So as Mouse (A) bites into Cheese (B) severing String (C), American home buyer takes it in Neck (D).

On balance, interest rates are not yet so high that they threaten to provoke inflation, nor shut down the housing sector. But the question remains as to whether they will crest and break, as they did in the second quarter of 1989. On the real side, the difficulties of our trading partners will continue in the near term, so there will be little relief from that quarter, unless the May meeting of the Group of Seven results in an agreement to cut interest rates. Relief, however, will come psychologically in the form of a recognition that the economy is growing slowly and that inflation is not really a problem. This will be strengthened by a clear tightening of monetary policy by the Fed as a signal that they will protect the economy even if it is a problem. When that takes hold, rates will drift downward, and the summer of 1990 will be a rerun of 1989.

Outlook for the Economy and Real Estate

THE ECONOMIC OUTLOOK

The U.S. Department of Commerce reported that the nation's real Gross National Product grew at a 2.1 percent annual rate in the first-quarter, according to advance estimates. Early in the year, analysts did not expect the first quarter number to be so strong, however, as the quarter progressed data emerged to suggest the economy was healthier than originally thought. The higher than expected growth rate was only one of several surprises in the first quarter. A rapid acceleration in the rate of inflation during the late winter months, and a sharp rise in long-term interest rates also were widely regarded as surprise developments. The strong GNP number was partly due to the natural disasters of last fall, the Boeing strike, and the wild swing in winter weather from a frigid December to an almost balmy January -- the net effect of which was to weaken the fourth quarter and strengthen the first quarter. Along the way, the long-term Treasury bond shot up from 7.85% in December to over 9% today. This rise in rates is more substantial and has lasted longer than originally predicted. The rapid acceleration in inflation during the late winter months did have much to do with sharp rises in food and energy prices, but there was also a moderate rise in the core rate of consumer price inflation. In the most recent report, however, this pressure seems to have eased somewhat. Despite this positive news on the inflation front, the combination of high interest rates and an economy that remains very weak in key areas (such as the industrial sector), means it is probably premature to speak of an economic rebound.

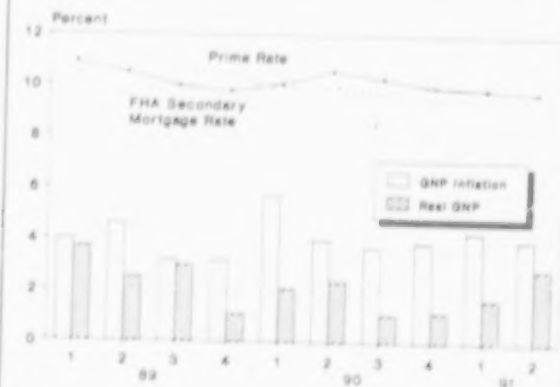
Employment Growth Slows

According to the latest monthly employment survey, the unemployment rate edged up to 5.4 percent in April. Payroll employment, a survey of nonfarm business establishments moved up by only 26,000, despite the inclusion of 80,000 temporary census workers. Manufacturing employment declined again in April, marking the twelfth monthly decline in the past thirteen months. This report seems to confirm that the industrial sector remains sluggish. However, other indicators, such as the April report from the National Association of Purchasing Managers, suggest a more rejuvenated industrial sector. Despite sectoral differences, labor markets in general are still very tight. This means that efforts to curb an acceleration in the rate of inflation would most likely require some period of below trend rates of GNP growth, which could lead to further modest rises in the unemployment rate.

Retail Sales Still Soft Nationally

Retail sales declined 0.6% in April, largely due to a substantial 1.6% slide in sales of durable goods, and no growth in sales of nondurable goods. Retail sales have been in a slump for some time now; sales have declined five times in the last seven months. The softness in durable goods sales was fairly widespread. Auto sales slid 2.9 percent and building and garden materials dropped 2.6%. The only increase in durable goods sales was in furniture, which rose 0.4% and has shown significant gains in 1990, after posting almost no growth last year. Nondurable goods were weak in many areas as well, but this weakness was offset by gains at food and drug stores.

GRAPH 1: THE ECONOMIC OUTLOOK



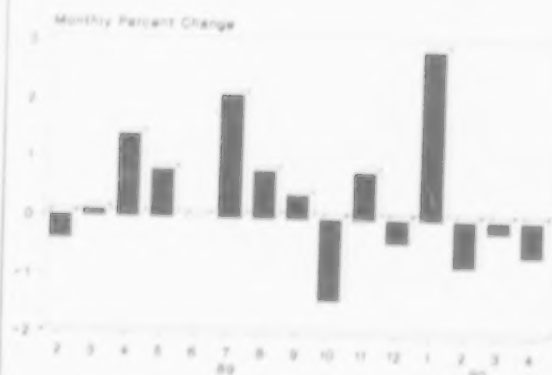
Source: Bureau of Economic Analysis; E. HARI estimates

GRAPH 2: PAYROLL EMPLOYMENT FLAT



Source: Bureau of Labor Statistics

GRAPH 3: RETAIL SALES STILL SOFT



Source: Dept. of Commerce

Inflation Eases at the Producer Level

Good news on the inflation front was announced recently by the Bureau of Labor Statistics, which reported that the producer price index for finished goods fell 0.3 percent in April. Producer prices slid 0.2 percent in March, and were unchanged in the month before. The decline in both March and April was due to large decreases in food and energy costs. If the food and energy components are netted out, then the producer price index rose 0.2 percent in April and 0.3 percent in March. These non-food, non-energy price increases were concentrated in capital equipment and miscellaneous consumer goods. Energy prices were lower in April for all stages of processing. Food prices rose 1.2 percent at the intermediate level of processing, but were down 0.8 percent at the crude level. The producer price indexes for manufacturing net output rose 0.4 percent in April, and the gain was broadbased. So far in 1990, the non-food, non-energy component of the producer price index has increases at an annual rate of 2.9 percent. This compares very favorably with last year during the same period, when producer prices for this component rose by an annual rate of 4.3 percent.

Consumer Prices Advance at a Slower Rate

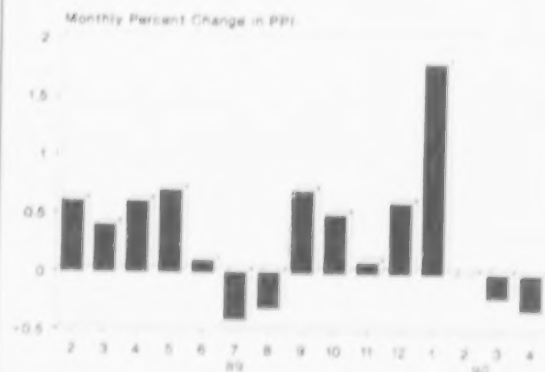
At the retail level, consumers faced slowly rising prices in April, a welcome respite from the torrid pace of consumer price inflation during the winter months. In April, the consumer price index for all urban consumers rose 0.2 percent. This means that for the twelve month period ending in April, the consumer price index increased 4.7 percent. The April rise trails increases of 1.1 percent in January and 0.5 percent in both February and March. Though the slower advance was widespread among the many components of the consumer price index, the cooler rate of inflation was most evident in the same components most responsible for the sharp rise during the first quarter--namely, the food, energy and apparel sectors. Food prices slid 0.2 percent in April, principally as a result of a plunge in fresh vegetable prices. Energy prices decreased in April for the third month in a row. The index for apparel and upkeep increased only slightly in April, after large gains in both February and March. The housing index increased 0.1 percent in April, after a substantial 0.5 percent advance in March. Shelter costs rose only 0.2 percent in April, after shooting up 0.7 percent in March.

Monetary Policy and Interest Rates

Much of the data on the opening month of the second quarter suggests a still slowly growing economy. Pressure will remain on the Fed to ease interest rates to allow the economy to move closer to its long-term trend rate of growth of about 2.5 percent. However, a competing concern of the Fed remains the value of the dollar and the level of foreign interest rates. The weakness of the dollar argues against anything more than a small decline in interest rates for the time being. Consequently, the Fed will likely keep the fed funds rate trading in the 8-8.25 percent range. If the economic data on May (due out beginning in early June) confirms a still weak economy, then the Fed could be expected to loosen further.

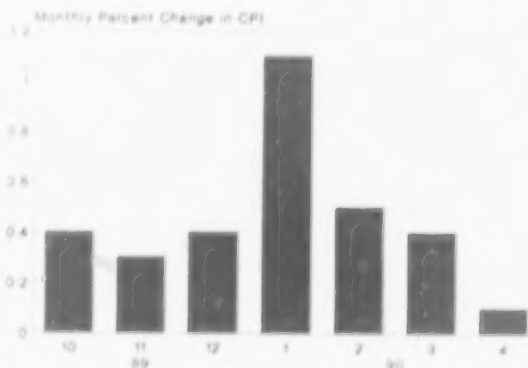
MAY 1990

GRAPH 4: PRODUCER PRICES FALL



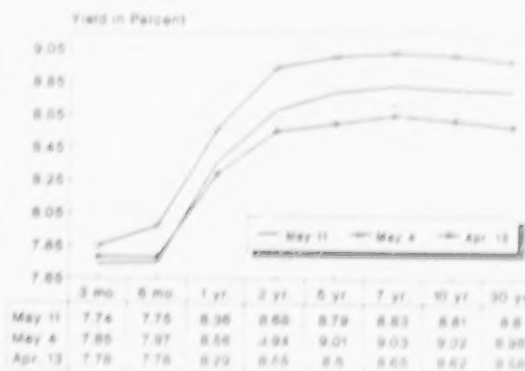
Source: Bureau of Labor Statistics

GRAPH 5: CONSUMER PRICES COOL OFF



Source: Bureau of Labor Statistics

GRAPH 6: THE YIELD CURVE



Source: Federal Reserve

HOUSING STARTS

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

	Total	S-F	2-4	5 and up
Mar 1990	1321	1015	46	260
Feb 1990	1457	1154	44	259
Jan 1990	1568	1099	53	416
Dec 1989	1273	931	53	289
Nov 1989	1347	1010	47	290
Mar 1989	1409	981	50	378

Mar 1990

Changes From (%):

Feb 1990	-9.3	-12.0	4.5	0.4
Mar 1989	-6.2	3.5	-8.0	-31.2

REGIONAL DATA

	Northeast	Midwest	South	West
Mar 1990	138	283	524	376
Feb 1990	222	265	592	378
Jan 1990	168	373	526	504
Dec 1989	138	267	440	428
Nov 1989	179	296	498	374
Mar 1989	160	308	552	389

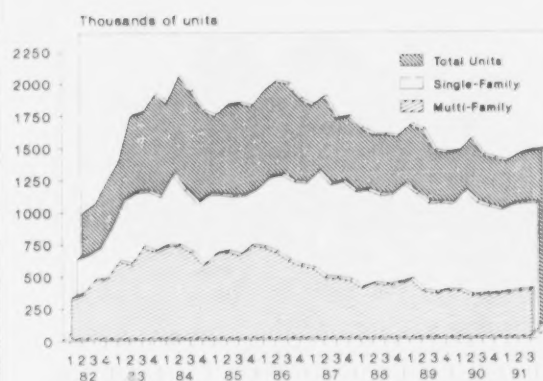
Mar 1990

Changes From (%):

Feb 1990	-37.8	6.8	-11.5	-0.5
Mar 1989	-13.8	-8.1	-5.1	-3.3

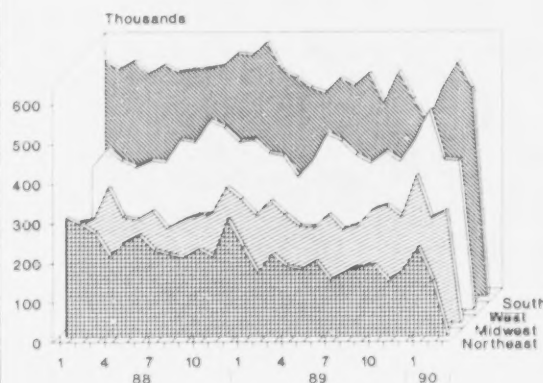
Source: Bureau of the Census; Construction Reports, Series C20

GRAPH 7: HOUSING STARTS



Source: Bureau of Census; Real Estate Outlook forecast

GRAPH 8: HOUSING STARTS BY REGION



Source: Bureau of Census

Starts of privately owned housing units dropped to an annual rate of 1.321 million units in March, 9.3 percent below the February annual rate of 1.457 million units, and 6.2 percent below the March 1989 annual rate of 1.409 million units. Starts of single-family units fell to 1.015 million units, 12 percent below the February annual rate of 1.154 million units, but 3.5 percent above the March 1989 annual rate of 981 thousand units. Starts of multi-family structures with 2-4 units reached an annual rate of 46 thousand units in March, 4.5 percent above the February annual rate of 44 thousand units, but 8.0 percent below the March 1989 annual rate of 50 thousand units. Weakness in starts activity is expected to continue as

builders are encountering capital scarce, due in large part to provisions of the thrift bailout plan.

By region, starts activity in the Northeast plunged in March to an annual rate of 138 thousand units, 37.8 percent below the February annual rate of 222 thousand units, and 13.8 percent below the March 1989 annual rate of 160 thousand units. In the Midwest, starts climbed 6.8 percent to an annual rate of 283 thousand units, but were 8.1 percent below their March 1989 annual rate of 308 thousand units. In the South, starts slid 11.5 percent in March to an annual rate of 524 thousand units, and were down 5.1 percent from their March 1989 annual rate of 552 thousand units. In the West, starts were virtually unchanged at an annual rate of 376 thousand units.

(Seasonally Adjusted Annual Rates, in Thousands)

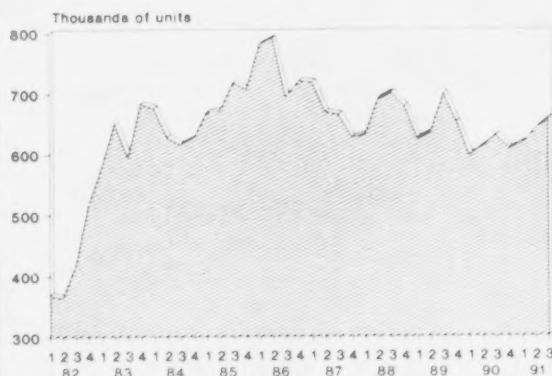
Mar 1990	574	Aug 1989	723
Feb 1990	604	Jul 1989	738
Jan 1990	613	Jun 1989	647
Dec 1989	633	May 1989	653
Nov 1989	687	Apr 1989	607
Oct 1989	636	Mar 1989	555
Sep 1989	640		

Mar 1990		Annual
<u>Changes From:</u>		<u>Totals:</u>
Feb 1990	-5.0	1988 676
Mar 1989	3.2	1989 650

	Northeast	Midwest	South	West
Mar 1990	99	95	219	161
Feb 1990	74	87	257	186
Jan 1990	96	104	228	186
Dec 1989	92	89	245	206
Nov 1989	96	117	263	211
Oct 1989	88	101	271	176
Mar 1989	107	99	200	150
1989	87	102	260	201
1988	101	97	276	202

Mar 1990				
Changes From:				
Feb 1990	33.8	9.2	-14.8	-13.4
Mar 1989	-7.5	-4.0	9.5	7.3

GRAPH 9: NEW HOME SALES



Source: Bureau of Census; Real Estate Outlook forecast

The graph displays the annual number of deaths in thousands for four U.S. regions from 1950 to 1959. The Y-axis represents the number of deaths in thousands, ranging from 50 to 350. The X-axis represents the years from 1950 to 1959. The South region consistently has the highest number of deaths, peaking at approximately 300,000 in 1957. The West region follows, with a peak of about 275,000 in 1957. The Northeast and Midwest regions have significantly lower death rates, with the Northeast peaking at about 120,000 in 1957 and the Midwest peaking at about 110,000 in 1957.

Year	South	West	Northeast	Midwest
1950	175	175	100	100
1951	270	165	110	110
1952	285	190	100	100
1953	290	200	90	90
1954	290	210	100	100
1955	290	220	110	110
1956	285	220	100	100
1957	300	275	120	110
1958	270	220	100	100
1959	260	190	90	90

Source: Bureau of Census.

7.5 percent below the March 1989 annual rate of 107 thousand units. In the Midwest, sales of new single-family homes crept up to an annual rate of 95 thousand units, or 9.2 percent faster than the February annual rate of 87 thousand units, but 4 percent slower than the March 1989 annual rate of 99 thousand units. In the South, new home sales fell to an annual rate of 219 thousand units, down 14.8 percent from the February annual rate of 257 thousand units, but 9.5 percent ahead of the March 1989 pace of 200 thousand units. In the West, new home sales declined to an annual rate of 161 thousand units, down 13.4 percent from the February annual rate of 186 thousand units, but 7.3 percent faster than the March 1989 annual rate of 150 thousand units.

(Seasonally Adjusted Annual Rates, in Thousands)

Mar 1990	3400	Aug 1989	3440
Feb 1990	3400	Jul 1989	3380
Jan 1990	3520	Jun 1989	3330
Dec 1989	3560	May 1989	3250
Nov 1989	3560	Apr 1989	3440
Oct 1989	3490	Mar 1989	3430
Sep 1989	3510		

Mar 1990	Annual
Changes From (%):	Totals:
Feb 1990 0.0	1989 3440
Mar 1989 -0.9	1988 3594

	Northeast	Midwest	South	West
Mar 1990	490	890	1360	640
Feb 1990	560	890	1310	650
Jan 1990	560	940	1400	570
Dec 1989	580	980	1390	610
Nov 1989	590	950	1390	630
Oct 1989	610	970	1300	610

Mar	1989	590	880	1300	670
	1989	589	919	1307	610
	1988	673	929	1350	642

Mar 1990				
Changes From (%):				
Feb 1990	-12.5	0.0	3.8	-1.5
Mar 1989	-16.9	1.1	4.6	-4.5

Source: NATIONAL ASSOCIATION OF REALTORS®
Economics and Research Division

Sales of existing single-family homes remained unchanged in March at an annual rate of 3.4 million units, but were 0.9 percent slower than the rate of one year ago, when the annual rate of existing home sales reached 3.43 million units. The number of existing single-family homes available for sale at the end of the survey period stood at 2.34 million homes, up slightly from the month before, but somewhat lower of an inventory as compared to March 1989 when 2.43 million existing single-family homes stood available for sale.

By region, in the Northeast, existing single-family home sales fell to an annual rate of 490 thousand units in March, down 12.5 percent from February, and down nearly 17 percent from their annual pace in March 1989

The chart illustrates the growth of the elderly population in the United States over a 12-year period. The population starts at approximately 1.9 million in 1982, rises to a peak of nearly 4.0 million in 1987, and then fluctuates between 3.4 million and 3.7 million through 1993. The shaded area represents the population, and the line with markers indicates the annual data points.

Year	Population (Millions)
1982	1.9
1983	2.0
1984	2.1
1985	2.2
1986	2.3
1987	2.4
1988	2.5
1989	2.6
1990	2.7
1991	2.8
1992	2.9
1993	3.0

Source: NAR Economics & Research; Real Estate Outlook forecast

The graph displays the annual number of new jobs created in millions for four U.S. regions from 1981 to 1990. The y-axis represents millions of jobs, ranging from 0.4 to 1.6. The x-axis shows years from 1981 to 1990. The South region consistently shows the highest number of new jobs created, peaking at approximately 1.5 million in 1986. The Midwest follows, peaking at about 1.0 million in 1986. The Northeast and West regions show lower, more stable growth, both peaking around 0.7 million in 1986.

Year	South (Millions)	Midwest (Millions)	Northeast (Millions)	West (Millions)
1981	1.10	0.90	0.60	0.55
1982	1.25	0.85	0.65	0.60
1983	1.35	0.90	0.65	0.65
1984	1.40	0.95	0.70	0.65
1985	1.45	1.00	0.70	0.65
1986	1.50	1.00	0.70	0.65
1987	1.40	0.95	0.65	0.60
1988	1.35	0.90	0.60	0.55
1989	1.30	0.95	0.60	0.55
1990	1.35	0.95	0.60	0.55

Source: NAR Economics & Research.

of 590 thousand units. In the Midwest, the annual rate of sales of existing homes was unchanged in March at 890 thousand units, but when compared to one year ago, it was up slightly from the March 1989 annual rate of 880 thousand units. In the South, sales of existing homes rose to an annual rate of 1.36 million units in March, up 3.8 percent from the February annual rate of 1.31 million units, and 4.6 percent faster than the March 1989 annual rate of 1.3 million units. In the West, sales of existing homes slipped to an annual rate of 640 thousand units in March, a loss of 1.5 percent from the February annual rate of 650 thousand units, and 4.5 percent below the March 1989 annual rate of 670 thousand units.

SINGLE-FAMILY HOME PRICES

(In Dollars)

NATIONAL DATA

	Median		Average	
	Existing	New	Existing	New
Mar 1990	96,100	123,200	119,500	150,300
Feb 1990	95,200	125,000	118,300	149,200
Jan 1990	96,300	124,900	120,000	151,300
Dec 1989	92,500	125,200	118,100	154,300
Nov 1989	93,200	125,000	118,300	151,400
Mar 1989	91,900	123,000	116,300	149,000
1989	93,100	120,000	118,100	148,800
1988	89,300	112,500	112,800	138,300
Mar 1990	Changes From (%):			
Feb 1990	0.9	-1.4	1.0	0.7
Mar 1989	4.6	0.2	2.8	0.9

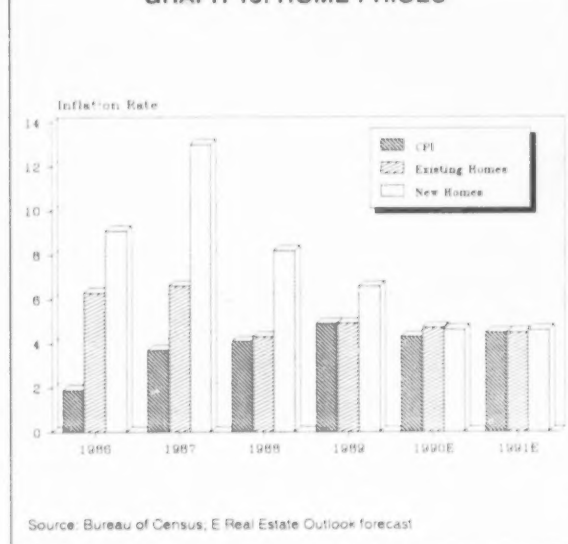
REGIONAL DATA

	Northeast	Midwest	South	West
Mar 1990	148,200	72,900	86,000	143,300
Feb 1990	143,400	74,100	85,200	143,300
Jan 1990	147,100	75,600	85,300	144,400
Dec 1989	143,400	72,500	82,700	135,200
Nov 1989	145,700	71,400	82,400	147,100
Mar 1989	143,600	69,900	83,700	138,100
1989	145,200	71,300	84,500	139,900
1988	143,000	68,400	82,200	124,900
Mar 1990	Changes From (%):			
Feb 1990	3.3	-1.6	0.9	0.0
Mar 1989	3.2	4.3	2.7	3.8

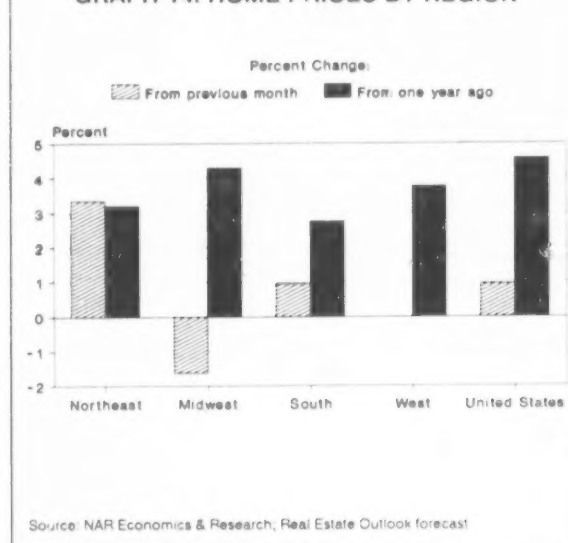
Source: NATIONAL ASSOCIATION OF REALTORS® Economics and Research Division

The softness in housing demand is having the expected effect on housing prices, where price increases have slowed. The median price of an existing single-family home rose 0.9 percent in March 1990 to \$96,100, while the average existing home price rose 1.0 percent to \$119,500. Relative to one year ago, the median price of an existing home is now 4.6 percent higher, while the average price of an existing home is only 2.8 percent higher. By region, the median existing home price in the Northeast rose 3.3 percent in March to \$148,200, which was 3.2 percent higher than the March 1989 median price of \$143,600. In the Midwest, the median existing home price fell 1.6 percent to \$72,900, but remained 4.3 percent above the March 1989 median price of \$69,900. In the South, the

GRAPH 13: HOME PRICES



GRAPH 14: HOME PRICES BY REGION



median price of an existing home rose 0.9 percent in March to \$86,000, and was 2.7 percent ahead of its March 1989 median price of \$83,700. In the West, the median price of an existing home was unchanged in March at \$138,100, but was 3.8 percent ahead of the March 1989 median price of \$138,100.

The median price of a new home fell 1.4 percent in March to \$123,200, and was virtually unchanged from its March 1989 median price of \$123,000.

Sean A. Burns
Director of Forecasting
Forecasting & Policy Analysis Division

U.S. ECONOMIC OUTLOOK

MAY 1990

	QUARTERS								YEARS				
	ACTUAL		FORECAST						ACTUAL		FORECAST		
	89.4	90.1	90.2	90.3	90.4	91.1	91.2	91.3	1988	1989	1990	1991	1992
AGGREGATE ECONOMY													
Gross National Product (billions of dollars)	5340	5441	5528	5595	5665	5749	5847	5938	4881	5234	5557	5892	6283
% Change	4.6	7.8	6.5	4.9	5.1	6.1	7.0	6.4	7.9	7.2	6.2	6.0	6.6
% Change (w/out inflation)	1.1	2.1	2.4	1.1	1.2	1.7	2.9	2.2	4.4	3.0	1.9	1.9	2.5
Consumer Price Inflation (CPI)	4.0	8.1	3.4	4.0	4.4	4.3	4.5	4.6	4.1	4.8	4.9	4.3	4.5
GNP Inflation (GNP Deflator)	3.2	5.7	4.0	3.7	3.9	4.3	4.0	4.1	3.3	4.2	4.2	4.0	4.0
Unemployment Rate - Civilian	5.3	5.3	5.2	5.3	5.5	5.6	5.6	5.6	5.5	5.3	5.3	5.6	5.6
Civilian Employment-Household Basis (millions)	117.8	118.1	118.7	118.9	118.8	119.0	119.3	119.7	115.0	117.3	118.6	119.5	121.0
Percent change	1.0	1.0	2.3	0.5	-0.3	0.7	1.0	1.2	2.3	2.0	1.1	0.8	1.2
Index of Industrial Production	108.1	108.0	108.9	109.1	109.3	109.7	110.8	111.6	105.4	108.1	108.8	111.2	114.9
Manufacturing Capacity Utilization	82.9	82.4	82.5	82.3	82.2	82.4	82.7	82.8	83.9	83.9	82.3	82.7	83.2
Domestic Auto Sales	6.2	7.0	6.6	6.7	6.7	6.8	6.9	6.9	7.5	7.1	6.7	6.9	7.0
Federal Tax Receipts (NIPA) as % of GNP	19.8	20.0	20.2	20.2	20.3	20.3	20.3	20.3	19.9	20.0	20.2	20.3	20.3
Federal Expenditures (NIPA) as % of GNP	22.7	23.0	22.6	22.5	22.4	22.5	22.3	22.2	22.9	22.8	22.6	22.3	21.7
Deficit (NIPA) as % of GNP	-156.0	-161.0	-134.0	-128.0	-120.0	-127.0	-117.0	-111.0	-145.0	-148.0	-136.0	-114.0	-87.0
	-2.9	-3.0	-2.4	-2.3	-2.1	-2.2	-2.0	-1.9	-3.0	-2.8	-2.5	-2.0	-1.4
REAL ESTATE MARKETS													
HOME SALES													
Total Single-family Home Sales (thousands, single-family resales plus 97 percent of single-family starts)	4495	4496	4441	4454	4306	4328	4425	4451	4646	4419	4425	4403	4367
Percent change -- year ago	-7.8	-0.3	3.7	1.0	-4.3	-4.4	-1.3	-0.1	0.0	-4.9	0.1	-1.5	-0.8
Existing Single-family Home Sales (thousands)	3537	3440	3475	3520	3395	3380	3465	3490	3594	3440	3458	3446	3405
Percent change -- year ago	-6.2	-3.1	-4.6	2.2	-4.2	-2.6	-0.9	-0.9	1.9	-4.3	0.5	-0.7	-1.2
Housing Starts (thousands)	1347	1448	1316	1290	1271	1323	1349	1359	1491	1386	1331	1350	1406
Percent change -- year ago	-12.7	-3.8	-2.8	-3.5	-5.7	-8.6	2.5	5.4	-8.6	-7.0	-3.9	1.4	4.1
Single-Family Units	988	1089	996	963	939	977	990	991	1085	1009	997	986	992
Percent change -- year ago	-12.4	2.3	0.5	-3.2	-4.9	-10.2	-0.6	2.9	-5.9	-7.0	-1.2	-1.0	0.5
Multi-Family Units	359	359	319	326	331	345	358	368	405	376	334	363	413
2-4 Family Units	53	47	42	43	43	45	47	48	58	55	44	48	54
Percent change -- year ago	-15.3	-19.2	-20.4	-22.5	-17.6	-3.7	12.1	12.7	-10.0	-5.7	-20.0	8.7	13.8
5+ Family Units	306	311	277	283	287	300	311	319	346	321	290	315	358
Percent change -- year ago	-13.1	-18.6	-10.2	-0.9	-6.2	-3.7	12.1	12.7	-15.7	-7.3	-9.7	8.7	13.8
New Single-family Home Sales (thousands)	652	597	612	630	608	616	640	657	676	650	612	635	625
Percent change -- year ago	-4.1	-12.7	-4.6	-6.9	-3.8	3.2	4.3	4.3	0.4	-3.8	-5.9	3.8	-1.6
Mobile Homes Shipped (thousands)	189	198	200	191	185	191	194	195	217	198	193	194	197
HOME PRICES													
Existing Home Prices - Median \$(1000)	92.7	95.9	96.9	98.7	99.3	100.8	102.3	103.1	89.3	93.1	97.7	102.3	106.9
Percent change -- year ago	6.2	5.0	4.2	4.0	7.0	5.2	5.6	4.5	4.3	4.3	4.9	4.7	4.5
New Home Prices - Median \$(1000)	124.4	124.4	126.7	129.0	131.5	133.0	134.5	135.9	112.5	120.0	127.9	135.0	141.2
Percent change -- year ago	9.8	5.3	6.5	7.9	5.8	3.2	6.2	5.3	7.7	6.7	6.6	4.6	4.6
FINANCIAL MARKETS													
Long-Term Interest Rates													
30-year Fixed Rate Mortgage (FHA Secondary)	9.8	10.1	10.6	10.3	10.0	9.9	9.8	9.8	10.3	10.3	10.3	9.8	9.4
1-year ARM (effective rate)	8.8	8.6	8.6	8.5	8.5	8.5	8.6	8.7	8.5	9.3	8.6	8.6	8.6
Corporate AAA Bond Rate	8.9	9.2	9.7	9.4	9.1	9.0	8.9	8.9	9.7	9.3	9.3	8.9	8.5
Government Bond Rate	7.9	8.4	8.9	8.7	8.4	8.3	8.3	8.3	9.0	8.4	8.6	8.3	7.9
Short-Term Interest Rates													
Federal Funds Rate	8.6	8.3	8.3	7.9	7.7	7.6	7.6	7.8	7.6	9.2	8.0	7.7	7.6
3-month T-Bill Rate	7.7	7.8	7.8	7.5	7.3	7.2	7.2	7.3	6.7	8.1	7.6	7.3	7.2
Prime Rate	10.5	10.0	10.0	9.7	9.5	9.5	9.5	9.5	9.3	10.9	9.8	9.5	9.3
Discount Rate	7.0	7.0	7.0	7.0	6.6	6.5	6.5	6.5	6.2	6.9	6.9	6.5	6.5
Value of the U.S. Dollar (Trade-Weighted Avg.)	97.3	93.1	93.5	92.9	90.5	88.9	87.8	87.5	92.8	98.5	92.5	87.9	87.0
Percent change	-12.2	-16.0	1.7	-2.6	-9.9	-7.0	-4.8	-1.5	-4.3	6.2	-6.1	-5.0	-1.1

Source: Forecast produced using Laurence H. Meyer and Associates' model of the U.S. economy. Assumptions and simulations by Dr. John Tuccillo, Dr. Frederick Flick, and Sean Burns.

The *Real Estate Outlook* features a monthly summary of current economic conditions, an easy-to-read forecast for the economy and real estate, and selected reports on issues affecting the housing industry. In addition, one of the Nation's top real estate economists, Dr. John Tuccillo, gives his commentary on the state of the economy and its implications for real estate markets. If you would like to subscribe to the *Real Estate Outlook*, contact the Forecasting and Policy Analysis Division at (202) 383-1131. The annual subscription fee is \$25 for members of the NATIONAL ASSOCIATION OF REALTORS® and \$30 for nonmembers.



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